



U.S. Department of Justice

*United States Attorney
Eastern District of Virginia*

Paul J. McNulty
United States Attorney

2100 Jamieson Avenue 703-299-3700
Alexandria, VA 22314

NEWS RELEASE

**FOR IMMEDIATE RELEASE
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**For further information contact:
Sam Dibbley 703-842-4050**

Paul J. McNulty, United States Attorney for the Eastern District of Virginia, announced that Mary Jo Karczewski, age 41, of Kisseemee, Florida, was sentenced today by the Honorable Leonie M. Brinkema to 46 months of incarceration and ordered to pay restitution in the amount of \$3,135,396 to 12 mortgage lenders. Karczewski's sentence stemmed from her execution of a fraudulent mortgage loan scheme which caused losses in excess of \$3 million to victim lenders.

On January 25, 2005, Karczewski, pleaded guilty to conspiracy to defraud several commercial lending institutions, including federally-insured banks. She also pleaded guilty to bank fraud regarding Provident Consumer Financial Services, Inc. of Cincinnati, Ohio. Karczewski had previously owned and operated Chesapeake Mortgage Financial Corp. Which operated as a residential loan originator in Woodbridge and Lynchburg, Virginia.

From November 1997 through June 2001, Karczewski prepared and caused her co-conspirators to prepare, false residential mortgage loan applications and documents in support of loan applications. The false documents included lease purchase agreements, employment verifications, IRS Forms W-2, income tax returns and appraisals. Karczewski also caused the false loan applications to be submitted to the mortgage lenders.

On the majority of the submitted loan applications, Karczewski falsely represented that the borrowers were seeking to "refinance" the terms and conditions contained in unrecorded land contracts. The agreements falsely represented that the borrowers had previously purchased the properties from the actual seller. To support the false agreements, Karczewski gave the lenders bogus cancelled bank checks purporting to show that the borrowers had been making monthly payments to the sellers towards the purchase price. Based in part on false appraisals which significantly overstated the value of the properties, the conspirators obtained more than \$2 million in "cash-out" borrower proceeds at settlement. Thereafter, the borrowers defaulted on the loans and the properties went into foreclosure, resulting in large financial losses to the lenders.

Karczewski caused the preparation of over 40 false loan applications totaling in excess of \$6.7 million. The continuing investigation of Chesapeake Mortgage has resulted in four guilty pleas.

The case, which was investigated by the U.S. Postal Inspection Service, Federal Bureau of Investigation and Virginia State Police, was prosecuted for the United States by Assistant United States Attorney Dana J. Boente.